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October 16, 2017

**VIA E-FILED**

Ms. Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
2<sup>nd</sup> Floor, Room-N201  
400 North Street  
Harrisburg, PA 17120

**Re: Review of Universal Service and Energy Conservation Programs  
Docket No. M-2017-2596907**

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's Reply Comments in the above-referenced proceeding.

Upon receipt, if you have any questions regarding the information contained in this filing, please contact the undersigned or Audrey Waldock at 412-393-6334 or [awaldock@duqlight.com](mailto:awaldock@duqlight.com).

Sincerely,

A handwritten signature in blue ink that reads "Shelby A. Linton-Keddie".

Shelby A. Linton-Keddie  
Manager, State Regulatory Strategy  
And Senior Legal Counsel

Enclosure

cc: Joe Magee, BCS ([jmagee@pa.gov](mailto:jmagee@pa.gov))  
Sarah Dewey, BCS ([sdewey@pa.gov](mailto:sdewey@pa.gov))

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Review of Universal Service and Energy        :**  
**Conservation Programs                               :**       **Docket No. M-2017-2596907**

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**REPLY COMMENTS OF  
DUQUESNE LIGHT COMPANY**

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**I. INTRODUCTION**

On December 16, 2016, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) issued a Secretarial Letter seeking input for a possible future rulemaking on the Low-Usage Reduction Program (“LIURP”) regulations.<sup>1</sup> On May 5, 2017, the Commission entered an Opinion and Order initiating a study regarding the level of home energy burdens.<sup>2</sup> Shortly thereafter, on May 10, 2017, the Commission entered an Opinion and Order initiating a comprehensive review of the entire Universal Service and Energy Conservation construct. In the May 10 Order, the Commission incorporated the earlier work on LIURP and energy burden into the above-captioned docket.

Also in the May 10 Order, the Commission provided 90 days for interested parties to submit written comments on all aspects of universal service programs. Consistent with this direction, Duquesne Light Company (“Duquesne Light” or “Company”) filed comments on August 7, 2017. Comments were also submitted by numerous other parties, including: the Office

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<sup>1</sup> See *Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations*, Docket No. L-2016-2557886 (Issued Dec. 16, 2016). To that end, on January 30, 2017, Duquesne Light submitted comments in response to the Commission’s questions on changes and recommendations for LIURP regulations.

<sup>2</sup> See *Energy Affordability for Low Income Customers*, Docket No. M-2017-2587711 (Entered May 5, 2017).

of Consumer Advocate (“OCA”); the Energy Association of Pennsylvania (“EAP”);<sup>3</sup> United Way of Pennsylvania (“United Way”), the Pennsylvania Departments of Aging, Community and Economic Development, Environmental Protection, as well as Health and Human Services, with a cover letter signed by the Governor, Tom Wolf (collectively, “Pennsylvania Departments”), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, Tenant Union Representative Network, and Action Alliance of Senior Citizens of Greater Philadelphia (CAUSE-PA, TURN and Action Alliance, collectively “Low Income Advocates”). The Office of Small Business Advocate (“OSBA”) filed a letter reserving its right to file reply comments.

Further, the May 10 Order directed the Bureau of Consumer Services (“BCS”) to review all the comments filed in this proceeding, and to coordinate a stakeholder meeting 60 days after written comments were due. Accordingly, on September 13-14, 2017, interested parties met in Harrisburg to discuss various issues outlined by BCS. Duquesne Light attended both days and actively participated in these meetings.

Consistent with the schedule in this proceeding, and in response to the discussion held during the stakeholder meetings, Duquesne Light hereby submits Reply Comments for the Commission’s consideration.<sup>4</sup>

## **II. BACKGROUND**

Operating for more than 135 years, Duquesne Light is a Pennsylvania electric distribution company (“EDC”) that provides electric service to approximately 590,000 customers in and

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<sup>3</sup> Duquesne Light is a member of the Energy Association of Pennsylvania, who is also submitting Reply Comments in this proceeding. In addition to the positions stated herein, Duquesne Light supports the positions articulated in those Reply Comments.

<sup>4</sup> Due to the voluminous nature of the comments submitted to date, as well as the numerous hours of discussion on all of these topics, it is impossible for Duquesne Light to respond at length to every proposal made in either comments or the stakeholder meeting. To that end, please note that Duquesne Light’s silence should not be construed as automatic agreement, only that further comment, at this stage of this proceeding, is not warranted at this time.

around the City of Pittsburgh, operating in portions of Allegheny and Beaver Counties. Of that 590,000, some 89% are residential customers, approximately 25% of whom are low-income, and only about 5% of whom use electric for heating.<sup>5</sup> Accordingly, issues related to universal service programs and low-income customers, as well as payment troubled customers generally, are of extreme importance to the Company.

Duquesne Light's four universal services programs consist of the following:

- Customer Assistance Program (“CAP”), which provides assistance via reduced payment arrangements and arrearage forgiveness funded through a reconcilable surcharge paid for by residential customers;
- Customer Assistance Referral and Evaluation Services (“CARES”), which assists payment-troubled and special needs customers in obtaining social service support and assistance;
- Hardship Fund administered by Dollar Energy Fund, which is funded through voluntary contributions from Duquesne Light customers as well as a Company match and is a direct financial assistance program; and
- Smart Comfort, Duquesne's Low Income Usage Reduction Program (“LIURP”), which is designed to assist customers with reducing energy usage and thus lower electric bills.

In addition, other measures, such as the Low Income Energy Assistance Program (“LIHEAP”) and Weatherization Assistance Program (“WAP”), are available to eligible Duquesne Light customers. Finally, although not the subject of this proceeding, Duquesne Light offers a number of energy efficiency measures specifically targeted to low-income customers as part of its Commission approved Watt Choices (the Company's Energy Efficiency and Conservation “EE&C”) plan.<sup>6</sup>

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<sup>5</sup> Notably, while approximately 5% of the Company's total residential base uses electric heating, approximately 10% of Duquesne Light's Customer Assistance Program (“CAP”) participants use electric heating.

<sup>6</sup> See generally *Petition of Duquesne Light Company for Approval of its Energy Efficiency and Conservation Phase III Plan*, Docket No. M-2015-2515375.

### III. REPLY TO SELECTED FILED COMMENTS

#### A. *Choice Acts, Universal Services and Cost Recovery*

Legal authority for Pennsylvania's Universal Service programs comes from the Electric Generation Customer Choice and Competition Act and the Natural Gas Choice and Competition Act. More specifically, for EDCs, the Electric Choice Act articulates the following:

**66 Pa.C.S. 2802(17):** There are certain public purpose costs, including programs for low-income assistance, energy conservation and others, which have been implemented and supported by public utilities' bundled rates. The public purpose is to be promoted by continuing universal service and energy conservation policies, protections and services, and full recovery of such costs is to be permitted through a nonbypassable rate mechanism.

**66 Pa.C.S. 2802(10):** The Commonwealth must, at a minimum, continue the protections, policies and services that now assist customers who are low-income to afford electric service.

**66 Pa.C.S. 2804(9):** The commission shall ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in each electric distribution territory. Policies, activities and services under this paragraph shall be funded in each electric distribution territory by nonbypassable, competitively neutral cost-recovery mechanisms that fully recover the costs of universal service and energy conservation services. The commission shall encourage the use of community-based organizations that have the necessary technical and administrative experiences to be the direct providers of services of services or programs which reduce energy consumption or otherwise assist low-income customers to afford electric service. Programs under this paragraph shall be subject to administrative oversight of the commission which will ensure that the programs are operated in a cost-effective manner.

Duquesne Light appreciates the care, specificity and discussion held to date by all interested stakeholders in this proceeding. The Company not only submitted written comments, but was an active participant in the September 13 and 14 stakeholder meetings on these subjects held in Harrisburg. Moreover, on September 15, 2017, Duquesne Light recently submitted a Joint Petition for Approval of Modifications to the Company's revised Customer Assistance Program design and Petition for a Waiver of Commission Regulations Regarding Length of Universal

Service and Energy Conservation Plans at Docket M-2016-2534323. This filing, which awaits Commission disposition, illustrates many of the Company's positions on the topics raised in this proceeding.

The Company understands its legal obligations as articulated above with respect to Universal Service programs, and takes great pride and care in its service to income eligible and payment troubled customers. Based on the comments in this proceeding and many of those expressed during the September stakeholder meetings, while the law outlines that these programs serve a "public purpose" and must be "appropriately funded," there seems to be disagreement over what level of funding is "appropriate" as well as who should pay for these programs. What compounds these issues is the fact that the pending energy burden study isn't set to be completed until February 2018, with a BCS staff report to go to the Commissioners next May. As a result, Duquesne Light again notes that while there are some aspects of these Universal Service programs that can and should be modified or at least examined to see how efficiencies can be immediately gained, the Company believes that the questions around energy burden, its undeniable impact on the scope and cost of CAP programs, as well as the resulting potential growth and effects on other customers (both residential at present and possibly extending to other customer classes as a result of this proceeding) should be reserved in response to whatever recommendation, report or Tentative Order issued upon receipt of the BCS report on energy burden.

At present, universal service fund costs are only allocated to, and therefore collected from, residential customers. These programs, on both an individual and collective basis, have considerable monetary impact. For example, in its proposed CAP plan (which, as explained above is only one of four Universal Service programs), the Company's total CAP program costs are budgeted to increase from the current annual amount of \$20 million to approximately \$30.1 million

by 2022. On a statewide basis, since 2006, annual costs for Universal Service Programs collectively have risen from \$321 million to more than \$418 million in 2015.<sup>7</sup> Notably, those amounts do not include Federal money associated with either LIHEAP or WAP. This statewide spending growth has occurred under current Universal Service standards, changing economic times and favorable energy prices in comparison to 2007-2009. Regardless of the results of the energy burden study (or any corresponding Commission recommendations thereafter), when considering expansion of any of these Universal Service Programs, Duquesne Light continues to strongly urge the PUC to employ sound judgment regarding cost causation, program eligibility, and the effects on other customers, with special attention to reasonableness and gradualism, as with any other rate increase that comes before the Commission.

***B. Universal Service, Renewable Resources and Net Metering***

As part of the charge in this proceeding, stakeholders are able to introduce any issue which they would like to be examined. In Comments, Duquesne Light suggested two issues, one of which (net metering) will be explained further here, while the other (CAP shopping) will be addressed *infra*. In Comments, on page 7, Duquesne Light stated "... this proceeding presents an opportunity to explore the intersection of low-income customer programs and access to energy options such as net metering and customer choice."<sup>8</sup> An additional issue that wasn't raised in comment, but should be discussed as part of this proceeding, is low-income access to alternative energy and renewable resources, even if there is no desire to net meter.

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<sup>7</sup> As explained more fully in EAP's Reply Comments, this total dwarfs the amount of neighboring states for similar programs. See EAP Reply Comments at 3-5.

<sup>8</sup> In raising these issues, the Company is particularly interested in discussion around how net metering credits could be applied to future CAP payments and/or arrearage forgiveness.

As defined in the Electricity Choice and Competition Act, the term “Universal Service and Conservation” specifically includes, among other things, “... application of renewable resources.”<sup>9</sup> Further, “renewable resources” is defined in part to include “technologies such as solar photovoltaic energy, solar thermal energy ...”<sup>10</sup> At present, however, to Duquesne’s knowledge, there are no direct EDC universal service programs that include application of renewable resources to low income customers beyond fulfilling AEPS requirements for default service. To complicate matters further, if a CAP customer shops for electric generation supply, any application of renewable resources comes from their EGS fulfilling its AEPS obligation as a load serving entity – a requirement completely divorced of Universal Service programs.

While net metering participation would not disqualify a customer from CAP eligibility, the Company believes that many of its CAP participants, at least at present, would be unlikely candidates to net meter. This belief not only comes from their level of income, but also is based on the fact that 75% of the Company’s CAP customers are renters,<sup>11</sup> which, more often than not, limits their ability to take direct advantage of renewable resources.

A possible answer to this issue is to allow EDC ownership of alternative energy systems, such as that proposed in HB 1799. HB 1799, introduced on September 21, 2017, not only would provide for EDC ownership of alternative energy systems, but also, for purposes of this proceeding, specifically contemplates the ability of an EDC to use the output of EDC owned

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<sup>9</sup> 66 Pa.C.S. §2803.

<sup>10</sup> *Id.*

<sup>11</sup> See Duquesne Light Comments at 7 (citing Duquesne Light’s 2015 Universal Services and Energy Conservation Plan Evaluation, July 2015, Applied Public Policy Research Institute for Study and Evaluation p. viii).



alternative energy systems to benefit low-income customers. Specifically, as proposed, HB 1799 provides in part:

Low-Income programs. An electric distribution company that owns an alternative energy system, as defined under section 2 of the Alternative Energy Portfolio Standards Act, may use alternative energy and alternative energy credits generated by the alternative energy systems as part of an integrated program for low-income residential customers that promotes alternative energy sources.

These types of programs, if allowed, would not only satisfy the plain language of the Electric Generation Customer Choice and Competition Act, but also would provide an opportunity for EDCs to make renewable resources directly applicable to low income customers, which is a benefit that does not exist at present.

***C. United Way 2-1-1***

Duquesne Light as well as its employees, has shown, and continues to show significant support for United Way's many programs and greatly appreciates the vital role United Way plays in our communities. Through corporate donations, the Company has historically been a supporter of United Way's 2-1-1 program, and has recently recommitted to give \$50,000 a year for the next three years to this program. In addition, in 2016, Duquesne Light donated a total of \$660,310 to United Way (not inclusive of the \$50,000 for 2-1-1) from employees and retirees through a combination of special fundraising and corporate matching. As a result, the Company had the single largest year-over-year increase of any participating organization in southwest Pennsylvania.

Duquesne Light customers are frequently referred to United Way's 2-1-1 when contacting the Company with assistance needs. As noted in its comments,<sup>12</sup> United Way has benefitted tremendously from its association with Duquesne Light. In this proceeding, noting its desire to expand 2-1-1 offerings, United Way suggests that 2-1-1 program be expanded utilizing a 5%

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<sup>12</sup> See United Way Comments at 8.

contribution from utility universal services program dollars. If this indeed is the request, Duquesne Light opposes this suggestion.

As explained *supra*, EDCs and NGDCs are statutorily required to offer universal service programs aimed at helping income eligible payment troubled customers better afford energy service. As legislated, these programs are limited in nature and are funded via a non-bypassable surcharge currently paid for by residential customers. Accordingly, the suggestion to divert any of this money for another purpose is not allowed.

However, utilities are specifically encouraged to utilize community-based organizations with necessary technical and administrative experience to participate in some of these programs.<sup>13</sup> To the extent United Way, or any other qualified community based organization, is able to successfully respond to a request for proposals (“RFP”) and deliver the services needed, like intake of information and referrals to other assistance programs, such as is done in the Company’s CARES program, then the Company would not oppose United Way’s involvement in its Universal Service Plan.

Regardless, Duquesne Light’s employees, retirees and owners will continue to significantly support United Way’s efforts and the direct benefits it provides to our customers both in general and with specific support for 2-1-1, but believes that, for Universal Service, money should remain with EDCs who seek to achieve the effectuated purpose of these programs.

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<sup>13</sup> See 66 Pa.C.S. §2804(9).

#### **IV. POSITIONS ON ITEMS DISCUSSED AT THE STAKEHOLDER MEETING**

At the September 13 stakeholder meeting, when discussing the procedural posture of this proceeding and the fact that BCS is charged with presenting stakeholders' positions on numerous issues to the Commission, it was requested that interested parties summarize their positions that were discussed at that meeting in writing to assist BCS with its summary. To the extent issues were raised that have not already been explained above, please find below the Company's position on points raised during the September stakeholder meetings.

##### ***A. Universal Service and Energy Conservation Programs***

###### **1. Program Design**

Interested parties generally recognized that customers who are seeking assistance from one utility are likely to be eligible for, and in need of assistance from, other utilities and programs. Rather than requiring knowledge of various programs and the time to fill out numerous applications, many of which ask for similar information, Duquesne Light strongly believes that a single application form that is recognized by all utilities and all programs (including LIHEAP and WAP, if possible) could benefit customers, save time and be useful for utilities.<sup>14</sup> Specifically, uniformity in both application and process would be helpful to determine "confirmed" low income customers, and, if accepted by the Commission, this information could be used for purposes of recertification.

Customers should only have to apply – and recertify – once despite participating in multiple universal service or low income programs. It would serve to save a substantial amount of money for other ratepayers by eliminating redundant resources and processes while making the experience

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<sup>14</sup> In addition to Duquesne Light suggesting a common application form, Columbia Gas recommended using consistent forms for income documentation and the First Energy Companies recognized the value of sharing income eligibility information. *See* Columbia Comments at 6-7; *see also* First Energy Comments at 8-9.

easier and better for customers. Similarly, these efficiencies could be further enhanced by a means to share data electronically among relevant parties. The Commission could take immediate steps toward development and implementation of a “single application” form for immediate potential efficiencies. Developing a single form would be the important first step in creating a database that would enable all utilities to confirm customer eligibility for programs.

The Low Income Advocates, in their comments noted the need for consistent income eligibility requirements across the Commonwealth.<sup>15</sup> OCA commented that income eligibility should be based on annualized income, not annual income.<sup>16</sup> Peoples recommended use of similar standards of eligibility across utilities.<sup>17</sup> As with the single application form, Duquesne Light sees opportunity to improve the process for determining eligibility with clear guidelines and suggests the Commission take immediate steps to work towards developing guidelines for income levels, calculation of income eligibility, and acceptable documentation for income calculation. Duquesne Light would be happy to participate in any collaborative to discuss these issues further.

In its comments, the Low Income Advocates also strongly advocated for a centralized Commonwealth-run administration of universal services programs across utilities.<sup>18</sup> The Low Income Advocates argue that a centralized program would increase enrollment and create administrative efficiencies with a streamlined and standardized program.<sup>19</sup> Duquesne Light strongly opposes this suggestion and believes that a statewide, centralized program would ignore individual design features that currently exist, lack flexibility and, as a result, leave many of its customers frustrated and underserved.

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<sup>15</sup> See Low Income Advocates Comments at 6-7.

<sup>16</sup> See OCA Comments at 23.

<sup>17</sup> See Peoples Comments at 10.

<sup>18</sup> See Low Income Advocates Comments at 61.

<sup>19</sup> *Id.* at 65-66.

As the Commission and interested parties are aware, each of the utilities' service territories have unique characteristics. Accordingly, keeping programs separate not only can serve to better address individual situations, but also ensures that money collected from ratepayers stays to benefit others in the same territory. Duquesne Light urges the Commission to recognize that each area in the Commonwealth is unique. Programs that benefit Duquesne Light's densely populated urban area with a supermajority using gas heat are unlikely to translate equally to other portions of the state. Thus, it is imperative that each utility continue to develop programs tailored to its customers' circumstances.

## 2. Needs Assessment

Both Low Income Advocates and OCA noted that the definition of "low-income customer" and process for determining low-income status vary widely and there are restrictive procedures for determination, such as needing to have missed a payment.<sup>20</sup> As noted, *supra*, Duquesne Light supports a consistent and clear approach to determining income eligibility and the specific means to confirm such a determination.

In addition, Duquesne Light supports a thorough review of the process for estimating low-income customers in a service territory. EAP comments set forth some of the issues with using census data such as metrics for determining low-income for census are different than for EDC programs and data is measured on a county basis where service territory may split counties.<sup>21</sup> Duquesne Light agrees with many of EAP's comments regarding the use of census data to determine program "success." Duquesne Light suggests that there are other ways, especially with the use of technology, to identify the number of low-income customers and thus the number of

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<sup>20</sup> See Low Income Advocate Comments at 20-21; *see also* OCA Comments at 60.

<sup>21</sup> See EAP Comments at 18-19.

eligible customers and anticipated participation levels. In fact, it may be a combination of data sources that are aggregated such as number of families utilizing free lunches, number of participants at food banks, number of low income housing units or other measures that can be extracted from databases. Regardless of how the number of low income customers are determined, the Commission (and others) should recognize that there will never be 100% participation for various reasons.

Similarly, the Company opposes any suggestion advocating for automatic enrollments, either based solely on a customer's income level or by participation in other programs, such as LIHEAP. Just because a customer is confirmed low income or receives LIHEAP does not automatically mean that the customer cannot pay his energy bill or that they want to participate in the companies' CAP programs. Further, as the Commission is well aware, Duquesne Light previously had, and is currently seeking to eliminate, its automatic enrollment in its proposed Universal Service Petition before the Commission. Based on experience and Commission feedback to date, the Company believes that these programs work better when customers can be educated about all the benefits, as well as obligations, for program participation prior to enrollment.

### 3. Reporting Requirements

As noted in its Comments, Duquesne Light suggests the Commission and stakeholders better identify how to measure the success of universal service programs and then define the data that can measure such success.<sup>22</sup> For example, measuring a reduction in bad debt expense, level of arrearage or program participation are ways that CAP programs are currently evaluated.

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<sup>22</sup> See Duquesne Light Comments at 10.

Similarly, LIURPs are evaluated by reductions in usage; however, as explained in Comments to that portion of the proceeding, there are many reasons why a program can be successful and still result in an increase in usage (such as from a fixed furnace/main heating source, for instance). Regardless of what metric is ultimately chosen, any changes to reporting requirements should be developed through a collaborative process beginning with an understanding of what constitutes success for any program.

Upon determination of the data to be reported, discussions can occur with regard to the public availability of the information, as well as the necessity for such information to be made public beyond what is currently available through BCS/Commission generated reports. Conversely, as part of the process, the Commission might seek to obtain only data that would be public in nature.

Duquesne Light concurs with the request of the Weatherization and Conservation Collaborative that data be provided in a format that allows for further analysis. If information is readily available in a database format, the scope of research and analysis can expand and perhaps better inform stakeholders and others. However, the Commission must take steps to ensure that the original data cannot be changed.

#### 4. Plan Review Process

In its comments, Duquesne Light highlights the lengthy plan approval process that results in plans being implemented almost concurrent with the start of its next plan period.<sup>23</sup> Duquesne Light also noted the requirement for a six year independent appraisal is misaligned with current plan development. Consistent with its Comments, Duquesne Light supports a plan period of 5 to 6 years with realignment of the independent review to allow for the appraisal of its programs to

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<sup>23</sup> See *id.* at 8.

inform the next plan. This position is consistent with the Company's current request for a waiver for the Petition before the Commission. Rather than having to redesign a program and resubmit a new plan within the next two years, the Company is requesting time to have a two-phase CAP redesign with its program set to terminate on December 31, 2022.

Further, with regard to USP program review, Duquesne Light supports the current process for submission to BCS and approval of a plan without the need for hearings or a Recommended Decision from the Office of Administrative Law Judge. BCS has explicit statutory authority to "ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in each electric distribution territory."<sup>24</sup> Over time, this authority has been interpreted to delegate review of Universal Service Plans to BCS, who works with these programs on a daily basis, are familiar with their intricacies, complexity and nuances, and who work actively with other agencies, including the Department of Human Services, to ensure the best results for the Commonwealth's low income customers. Review of Universal Service Plans are done on a regular basis, include the opportunity for comment and reply comment to a Tentative Order, and ensures that interested parties' due process needs are met. Duquesne Light is comfortable with the amount of information and input received from BCS and stakeholders in this process, and believes that recommendations related to these programs are best housed with the PUC Bureau that knows these programs better than anyone else. Should these plans be transferred to the Office of Administrative Law Judge, it cuts BCS completely out of the process. For the reasons discussed above, Duquesne Light does not support this suggestion.

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<sup>24</sup> See 66 Pa. C.S. §2804(9).



## 5. Intersection of Universal Services Plan and Base Rate Case Proceeding

There has been discussion in this proceeding that changes to Universal Service programs should be limited to USECP reviews, not rate base cases. As discussed *supra*, one of the issues with rate base modifications to Universal Service Plans is the fact that BCS has no role in a proceeding that is before an ALJ, whereas they have control over the Universal Service Plan recommendations and, therefore, can ensure that any modifications made are consistent with the USP currently in effect.

While the Company agrees that a rate base proceeding is not the place to litigate or seek wholesale changes on Universal Service program design, Duquesne Light does recognize the reality that many black box settlements routinely contain settlement provisions that implicate Universal Service programs by adjusting either projected enrollment or budget amounts for one or more Universal Service Programs. For instance, in the Company's most recent base rate proceeding, Duquesne Light agreed to the following items that implicate Universal Service:

38. Duquesne Light agrees to an increase in the annual target of LIURP [Low Income Usage Reduction Income Program] from 2,555 in its currently filed Universal Service and Energy Conservation Plan (USECP) for 2014 to 2017 to 3,100 visits. Duquesne Light also agrees to increase the maximum CAP [Customer Assistance Program] credits for non-heat customers from \$560 per year to \$700 per year and for heating customers from \$1,400 per year to \$1,800 per year, effective January 1, 2015. Any increases in costs will be recovered in the Universal Service Charge ....<sup>25</sup>

Rather than accept Parties' suggestions that would either eliminate this practice or seek to make these currently non-litigated proceedings litigated, the Company believes that, if it chooses, a Company may adjust projected enrollments or budgets of Universal Service programs as part of a base rate proceeding. Wholesale changes or modifications to program design, however, should

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<sup>25</sup> *Duquesne Light Company*, Docket No. R-2013-2372129, Opinion and Order at 11 (Apr. 23, 2014).

only be done as part of a BCS Universal Service review, as is currently the case. Finally, to the extent BCS is currently unaware of any changes that are made to Universal Service Programs through part of a base rate proceeding, the Company suggests that OALJ be told to circulate draft Recommended Decisions to BCS for technical review so they can share any concerns prior to the Recommended Decision being finalized and released to the parties.

### ***B. Customer Assistance Program (CAP)***

#### ***1. Eligibility***

Eligibility criteria raises questions about policy objectives, the role of utilities in reducing poverty and the fairness of funding. OCA rightly commented that the trend of using low income status but not necessarily payment troubled to enroll customers has benefited many but potentially at the cost of those customers who are near poor or moderate income, and therefore outside Universal Service program eligibility.<sup>26</sup> For purposes of CAP eligibility, Duquesne Light agrees with the following eligibility parameters:

- Customers do not need to be “payment troubled” in order to participate in CAP. Duquesne Light abandoned this program requirement in 2001.
- While customers are encouraged to apply for LIHEAP if eligible, LIHEAP application status or award is not a prerequisite for CAP program participation. However, the Company does plan to compile a list of customers who receive LIHEAP and not currently enrolled in CAP in order to direct information on CAP and its benefits.<sup>27</sup>

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<sup>26</sup> See OCA Comments at 8-9.

<sup>27</sup> Further, if after one month the customer has not enrolled in CAP, a second outreach will be made. See pages 10-11 of Duquesne Light Company’s Proposed Universal Service Plan, still waiting disposition, Docket No. M-2016-2534323 (filed Sept. 15, 2017).

- When choosing between annualized or annual income, the Company’s CBOs use whichever method is more beneficial to the customer (*e.g.*, either the past 30 days’ income or last year’s W-2). Additionally, Duquesne Light does not use asset tests to determine a customer’s eligibility for CAP.
- At time of enrollment, Duquesne Light requests a social security number; however, in lieu of providing a social security number, an applicant may provide another acceptable form of identification such as a driver’s license or other government issued identification.
- Zero income customers are required to fill out a “zero income form” and must have their income status reviewed every six months. Further, for program participation, Duquesne Light requires permission to verify this level of income with government agencies such as the IRS or through bankruptcy proceedings.

## 2. Payment Plans, Minimum Charges and CAP funds

As part of the September stakeholder meetings, when the issue of payment plans was raised, Patrick Cicero noted this topic’s intersection with energy burden, stating that it is hard to talk about one subject without talking about the other. Moments later, in noting his support for a PIPP (percentage of income payment plan), he explained that a benefit to that type of design is that there is at least certainty to what a customer is expected to pay. While Duquesne Light has proposed, and in its pending Petition, supports a PIPP design, the Company agrees with EAP when stating that flexibility should be preserved going forward as conditions change. For example, anecdotally the Company understands that if CAP shopping were allowed, it may be easier to have a fixed credit option that could be portable for CAP shopping. While that situation does not currently exist for Duquesne Light, as CAP customers are unable to shop until at least 2021, this

may not always be the case. Accordingly, while PIPP may be preferred, the Company would like other payment design options available for use in the future if it so chooses.

As a cost control measure, the OCA notes in comment that it supports continued use of minimum payments in CAP program design.<sup>28</sup> As indicated in Comment and reiterated here, Duquesne Light agrees that minimum payments should be continued. As part of its Petition, the Company includes minimum payments; however, if a customer's actual usage would generate a bill lower than the minimum stated amount, the customer would be able to pay the amount more advantageous. For purposes of this review, however, the Company believes that when undergoing a review of energy burden, the issue of minimum payments should also be reviewed and in setting or modifying the amounts currently found in the CAP policy statement, a clear explanation should be given as to how these amounts are derived.<sup>29</sup>

### 3. Energy Burden

Discussed numerous times in this proceeding is the intersection of energy burden and its impact on other aspects of these programs. Of all the costs in a Universal Service Plan, the largest percentage of costs are allocated to other customers in order to fund reductions to CAP participants' actual bills. In addition, and despite the fact that an energy burden study has been ordered and is already underway, certain stakeholders, before getting any state-specific information on appropriate energy burden levels for Pennsylvanians, suggest that there should be a combined 6% energy burden, which is a stark contrast from the current percentages for both heating and non-heating gas and electric in the CAP Policy Statement. Further, these levels are being proposed with no analysis on the amount of money this entails or the effects on other

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<sup>28</sup> See OCA Comments at 14.

<sup>29</sup> See Duquesne Light Comments at 12.

ratepayers, especially those between 151%-200% of the FPIG. Instead of calculating those numbers, parties instead are looking to the commercial and industrial classes to start paying, based on an argument that these programs help support the “public good.”

Rather than reach any determinations on these issues at this juncture, literally seven months before the Commission is set to get a BCS report with the analytics it believes are necessary before going forward, Duquesne Light firmly believes that no action should be taken on energy burden levels until the Commission’s study has been completed and parties are given an opportunity to review and comment on the analysis and results.

#### 4. Maximum Cap Credits

In addition to minimum payments, CAP maximum payments are established as a cost containment measure and help balance the interests between CAP participants and non-participants.<sup>30</sup> Duquesne Light notes that it agrees with parties, such as the OCA, who indicate that the dollar amounts in the current policy statement should be reviewed for inflation or at least updated. Further, the Company agrees with the notion that maximum CAP credits need not be uniform between utilities. As noted *supra*, there are many variables that are addressed separately between utilities and for good reason. Duquesne Light continues to support flexibility to design a program that will best benefit its CAP participants.

#### 5. Arrearage Forgiveness

A major benefit to customers that participate in Duquesne Light’s CAP program and make full, on-time payments is the potential to earn complete forgiveness of pre-program arrears. Specifically, customers will receive debt forgiveness of 1/24<sup>th</sup> of their preprogram arrears with

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<sup>30</sup> See OCA Comments at 25.

each full monthly payment. Customers also have the opportunity to receive arrearage forgiveness on catch-up payments made for past due monthly CAP balances. For Duquesne Light's program, customers will be granted one pre-program debt forgiveness opportunity, which remains with the customer as long as he/she is enrolled in CAP. Other than one specific exemption as the Company proposes to transition its program to a PIPP, delinquencies acquired within CAP are not eligible for arrearage forgiveness. However, if a customer is terminated or discontinues service prior to earning total forgiveness of their pre-program arrearage amount, the customer may resume the pre-program arrears opportunity. A sample of this explanation is included on Page 9 of the Company's Petition pending before the Commission.

At this time, the Company is not looking to make any changes to arrearage forgiveness, other than those modifications in its currently pending Petition. However, if other proposals are raised throughout this proceeding, Duquesne Light will consider and respond as appropriate.

#### 6. Recertification, Reinstatement and Termination

A major reason that CAP customers default from the CAP program is for the failure to recertify their income. As explained above when discussing the benefits of a uniform application process and information sharing, the ability to share verified income information between programs (whether it be from another utility or another state or federal agency), would go a long way to ensure recertification and accuracy of information. In general, (other than those claiming zero income that need to recertify every six months), the Company's proposed Plan includes a provision that CAP customers are required to recertify their income and occupancy information once every other year, without exception.

While the Company does not oppose recertification on a two-year cycle, Duquesne Light is interested in processes that could save customers and utilities time and effort while still getting

the needed information for recertification. For example, when customers apply for (and are subsequently granted) LIHEAP dollars, they must give income information to DHS. If there were a checkbox or some designation that would allow information sharing (if the single application ever comes to fruition), that would be a verified way for utilities to receive timely income information and utilities could use that to verify that those who claim program eligibility are indeed still eligible for program participation. Similarly, the Company is open to the OCA’s suggestion that “best practices” be developed to address common problems with recertification.

In addition to failure to recertify, there are four other reasons why someone may be dismissed from Duquesne Light’s CAP program, which are summarized in the chart below:

<b>Grounds for Default</b>	<b>Required 1 Year Stay-out</b>	<b>Opportunity to Cure</b>
Failure to recertify	No	Yes
Failure to complete Smart Comfort Visit	No	Yes
Termination for non-payment	No	Yes
Voluntary Removal from Program	No	Yes
Removal for fraud, material misrepresentation, etc.	Yes	No

The Company appreciates the flexibility when either dismissing customers from or allowing customers to reinstate their participation in CAP programs, and would like this ability to continue in the future. While OCA argues that customers who voluntarily leave CAP should be required to remain out for 12 months,<sup>31</sup> as can be seen above, that is not a requirement in the Company’s pending proposal. When arguing for the forced stay-out, in general parties argue that customers

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<sup>31</sup> See OCA Comments at 15-16.

may game the system and jump on and off of CAP in order to pay a lower amount than they otherwise would if enrolled in CAP.

While this argument is valid and could be true in some instances, the Company believes that the way to address this issue is to allow customers to pay the lesser of the mandatory minimum payment or a customer's actual usage, as is proposed Duquesne Light's pending Plan. By allowing customers to pay the lesser of the two amounts, the impetus for jumping on and off of CAP for lower payment amounts is arguably eliminated.

Further, the OCA in comment makes clear that at time of termination, CAP customers should not be required to pay full tariff rates in order for reconnection. For Duquesne Light, customers that have a past-due CAP balance at the time of default may be required to pay the past-due catch-up amount in conjunction with curing the reason for default to be reinstated in CAP. For example, a CAP customer whose service has been terminated would have to pay CAP arrears plus bills missed.

#### 7. CAP Shopping

As part of this proceeding, parties have strong feelings on the issue of CAP shopping. The question is whether there are appropriate and reasonable limitations for CAP customers that do not apply to other customer segments due to the fact that all residential customers pay universal service costs. The availability of CAP shopping and restrictions on its use not only vary between EDCs, but also in the way it has been treated for NGDCs. For example, in Columbia Gas' territory, while individual CAP customers are not allowed to shop, the CAP load is aggregated and the company is able to shop for the load as a whole. This results in a cost saving measure for the USP in total. There is no similar program for EDCs at present.



Consistent with its Commission approved Default Service Plan, Duquesne Light's CAP customers currently are not eligible to shop for an Electric Generation Supplier. However, the Company will be holding a collaborative to discuss different options before making a proposal on this subject to the Commission. Before making this proposal, the Company wants to better understand not only the benefits, but potential detriments, of CAP shopping – including customers exhausting their credits too quickly and any increases in program costs that would be allocated to other customers as a result of shopping. As explained *supra*, other issues such as the challenges of using a PIPP rather than a fixed credit option (or vice versa) would be need to be analyzed and understood before the Company would decide what changes, if any, it suggests with regard to CAP shopping. In the interim, Duquesne Light is particularly curious to see how PPL's CAP SOP works, and to evaluate these results once it is implemented.

#### 8. Program Cost

As explained throughout these comments, questions around energy burden, payment responsibility and “appropriate” funding for CAP programs, as well as the rest of the Universal Service Programs remain outstanding. While Duquesne Light believes these issues are of extreme importance, again, without more information, the Company believes it is premature to make any definitive findings on these issues at this point in the proceeding. As articulated in comment, when evaluating all of these programs, the Commission's inquiry should have a twofold goal: (1) are the programs working as designed; and (2) are the funding mechanisms for both participants and other ratepayers fair and equitable. While the issues of funding and affordability are important,

the Company agrees with OCA that “public policy ... does not support providing unlimited support for affordability assistance.”<sup>32</sup>

### *C. Customer Assistance and Referral Evaluation Services (“CARES”)*

#### 1. Program Design

As explained at the outset of these Reply Comments, CARES is designed to assist payment-troubled and special needs customers obtain social service support and assistance, namely through interaction with the Company’s CBOs. While customers may be referred to CARES by internal or external sources, the majority of customers that utilize this program are referred at the time of the CAP intake interview. This program, as currently run, is the most cost effective of the Company’s four Universal Service Programs. In general, while the funding level is approximately \$135,000, analysis of customer information shows that enrollments hover around 12,000 per year.

#### 2. Staffing and Training

At present, not only do CBOs refer customers to CARES at the time of the CAP intake interview, but CARES is also administered by CBOs, not by Company personnel. In light of the fact that CBOs are well trained and successfully administer this program, the Company does not see a current need to hire one or two full time personnel to run this program.

#### 3. Tracking Outcomes

As part of this proceeding, OCA argues that CARES program reporting and evaluation should be more robust. Specifically, in addition to tracking LIHEAP referrals and grants received, the OCA recommends that utilities track “how often, if at all, CARES referrals result in customers enrolling in, and obtaining assistance from, all other programs to which they are referred and

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<sup>32</sup> OCA Comments at 25

whether such enrollment results in improved payments.”<sup>33</sup> While this information may be helpful from a theoretical standpoint to judge all the outcomes of this program, the Company does not believe that tracking of information beyond what is currently recorded and reported to the PUC is necessary.

In addition to having CBOs refer customers to appropriate programs and service offered by social service agencies, community organizations and Duquesne Light, the Company’s CBOs already initiate follow-up to determine the outcome of those referrals and get information as best they can. This information is how the Company is able to determine how many customers are reached by this program. The Company would have to quantify the amount of time and effort it would take “to track the utility bill, payment and arrearage outcomes associated with the CARES case management component,” as requested by the OCA, prior to taking any definitive position on this issue. As noted above, however, Duquesne Light is pleased with its CBO performance and does not see a demonstrated need to expand the number of personnel working this program at this time.

#### ***D. Hardship Funds***

##### **1. Eligibility**

As part of this proceeding, the OCA would like utilities to confirm that the receipt of hardship funds is not subject to arrearage forgiveness or denied due to participation in CAP. While Duquesne Light cannot speak to the requirements or limitations to other utilities’ programs, the Company can confirm that hardship funds are neither denied because the amount of the award would not eliminate all account arrears or that CAP participation, by itself, disqualifies an award

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<sup>33</sup> OCA Comments at 58.

outright. With those clarifications, however, there are specific eligibility requirements to qualify for a hardship grant, which include the following:

1. Customers must have a residential account and reside at the premise address;
2. Customers must have paid a minimum of \$150 toward their utility bill within the last 90 days or made three consecutive CAP payments. Senior citizens (age 62 and over) must have paid at least \$100;
3. Customers must have a balance on their electric bill of at least \$100. Senior citizen (age 62 and over) may have a zero balance, as long as there is no existing credit on the account;
4. Customers must provide proof of monthly household income (FPL guidelines apply); and,
5. Customers must provide social security numbers (or other information) for all members of their household.

Accordingly, while participation in CAP would not disqualify someone from eligibility for a hardship fund grant, if a customer did not make three consecutive CAP payments, this poor payment history would disqualify a customer from being considered for a hardship grant.

## 2. Funding

Duquesne Light's hardship fund is a partnership with the Dollar Energy Fund. In addition to matching customer contributions up to \$375,000 annually, up to \$75,000 is made available through the Universal Service Charge for administrative support. In addition to corporate drives and employee contributions, the Company promotes the program through various channels such as: bill inserts, Company website, radio advertisements, direct referrals by Duquesne Light Customer Service Representatives, community based events and the Dollar Energy Fund itself. The Company opposes any suggestion to use rate base dollars to fund this program.

### ***E. Low Income Usage Reduction Program ("LIURP")***

On January 30, 2017, and March 1, 2017, Duquesne Light submitted comments and reply comments, respectively, to the December 16, 2016 Secretarial Letter at Docket No. L-2016-2557886, seeing stakeholder input on fourteen topics "instrumental in determining the scope of a

future rulemaking to update the Commission’s existing Low-Income Usage Reduction Program (“LIURP”) Regulations at 52 Pa. Code §§ 58.1-58.18.” To the extent applicable here, both sets of comments should be incorporated by reference.

1. Coordination with CAP

As indicated in the comments submitted to date in this proceeding, Smart Comfort (LIURP) works best in tandem with other programs, such as CAP and Watt Choices. Prior versions of the Company’s Universal Service Plan required CAP customers with electric heat, homeowners with base load electric usage of more than 500 kWh per base load month,<sup>34</sup> and renters with base load usage for more than 500 kWh per month who have resided at the premise for more than six months to complete a Smart Comfort visit within a certain time period or be dismissed from the program. The current version, before the Commission, requires that a Smart Comfort visit under these conditions be scheduled, but not necessarily completed, before participation in CAP may begin. However, if a Smart Comfort visit is not completed within a date certain, it could be a curable defect that results in dismissal from the CAP program.

2. Administration

Part of Duquesne Light’s success with Smart Comfort is that it works in parallel with other programs, such as Watt Choices. While the Company takes great strides to concentrate weatherization measures on those customers with high usage during baseload months, Duquesne Light is equally concerned about educating lower usage low-income customers about Watt Choices to alert them about opportunities that may be available for energy conservation. The Company uses a single CBO to administer this program, and the Company personnel who oversee

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<sup>34</sup> Duquesne Light defines base load months as April, May, September and October where typically minimal demand for heating and cooling is required.

the Smart Comfort CBO also design and administer Watt Choices, thereby better maximizing the results and coordination between both programs.

### 3. Costs

In the Company's most recent Universal Service Plan, Duquesne Light was directed to expand its offerings of health and safety measures, include more specific criteria for such measures, and begin tracking installation as well as health and safety costs as a separate category. In light of the fact that these changes are still new to the Company and have not been fully integrated for a measurable period of time, Duquesne Light does not have any further comment on these items at present but reserves its right to comment further in response to its own experience, as well as other parties' or the Commission's proposals.

### 4. Design

Similar to an inquiry in the December 16, 2016, Secretarial Letter, a question around whether there should be more emphasis placed on cooling measures as part of Smart Comfort was raised during the stakeholder meetings in Harrisburg. As explained in the Company's comments dated January 30, 2017, as Duquesne Light does mostly baseload jobs, there is no need to place a greater emphasis on cooling needs at this time. In general, Smart Comfort targets necessities, whereas cooling is more for comfort. However, the Company's Smart Comfort program does provide for window units for special cases, such as for verified medical issues and senior citizens.

### 5. Multifamily and Landlord Properties

At present, Smart Comfort only applies to tenant paid properties; as a result, master metered accounts are not eligible for this program. Despite this restriction, however, the Company does have multi-family and master-metered energy efficiency programs through Watt Choices that concentrates on common areas of these buildings as well as appliance change outs in common

areas. These programs are targeted for affordability and income eligible customers. This is an example of how both programs can work together to maximize benefits for an entire building.

The Company is also working with its CBO to better reach landlords in order to receive permission to do work either related to Smart Comfort or Watt Choices. Despite having more than one way to reach landlords (telephonically, through paper mailings, and e-mail), it is challenging at times to get landlords of single family residences to grant permission to do work. Duquesne Light continues to improve its efforts to educate landlords about this program in order to get their consent. The Company would be happy to participate in a “best practices” collaborative to discuss ideas on how to improve this process.

## V. CONCLUSION

Duquesne Light appreciates both the continued dialogue around a complex subject through initiation of a comprehensive review of universal service programs. The Company looks forward to further discussion and examination of universal service programs in the coming months, and asks that Commission consider the positions and recommendations articulated herein prior to making any further determinations in this proceeding.

Respectfully submitted,

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